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ABSTRACT

This report presents the findings and recommendations of a study of New Mexico's financing of education. A task force, created in 1995 by the state legislature, was charged with reviewing public school funding for the purpose of introducing legislation to reform the system. For the study, hired consultants reviewed historical documents, held interviews, conducted an analysis of formula and nonformula provisions, reviewed and recommended revision of program unit cost indices, and assessed fiscal and program accountability procedures. The principal finding was that the New Mexico public school funding formula was highly equitable. Since state law did not permit local school districts to levy additional taxes, spending disparities in the state were less than those that were apparent in other states. However, some perceived areas of unfairness were found and changes were proposed that included abolishing the size-adjustment factor for large school districts, among others. The task force endorsed the findings of the consultant and recommended some alterations, such as the creation of an at-risk factor in the funding formula to provide additional program units to school districts with students at risk of academic failure. An appendix lists the task-force members and contains a discussion draft of the proposed legislation for public school funding. (RJM)

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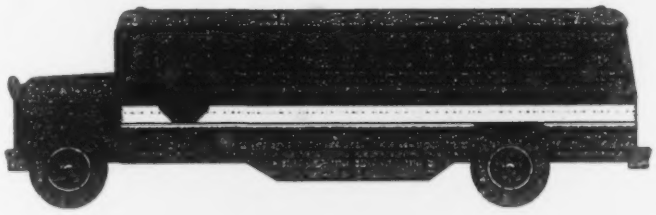
Final Report of the Public School Funding Formula Task Force



To the Legislative Council State Board of Education Governor

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New Mexico Legislative Council Service
311 State Capitol
Santa Fe, New Mexico
December 17,1996

EA 029975

State of New Mexico

House of Representatives

STATE CAPITOL

Santa Fe

January 20, 1997

TO: The Honorable Gary E. Johnson
Legislative Council
New Mexico State Board of Education

On behalf of the Public School Funding Formula Task Force, I herewith transmit its final report for your review. Thank you.

Sincerely,

Danice Picraux

REPRESENTATIVE DANICE PICRAUX
Chair
Public School Funding Formula
Task Force

INTRODUCTION

The public school funding formula task force was created in 1995 by the New Mexico state legislature in conjunction with the state board of education and the office of the governor. The task force met throughout the late summer and fall of 1995 to develop a request for proposals, review prospective proposals, interview finalists and select a consultant to perform a study of the state's public school funding formula. In January 1996, the task force selected Forbis Jordan and Associates as the consultant. The consultant completed his study in November 1996, making his final recommendations to the task force at that time. The task force deliberated on the findings and conclusions of the consultant and, based largely on his recommendation, endorsed legislation for presentation to the 1997 legislative session. A more detailed explanation of the composition and operation of the task force, the findings and recommendations of the contractor and the final recommendations of the task force follow.

THE TASK FORCE

The public school funding formula task force was composed of 14 members. Members of the task force were appointed by the legislature, the governor and the state board of education. The chairman of the task force was Representative Danice Picraux (D) - Albuquerque. In addition to the formal membership of the task force, a number of advisory members and task force liaisons were appointed. A list of the regular membership, advisory and liaison members is included in the appendix to this report.

To finance the operation of the task force, the legislative council, the office of the governor and the state board of education each contributed $50,000. This money was paid to the

legislative council service, which subsequently issued vouchers in payment of per diem and mileage expenses of legislative and certain public members and to pay the fees and costs of the task force's consultant, Forbis Jordan and Associates.

THE BUSINESS OF THE TASK FORCE

The public school funding formula task force completed its task in two stages, each of which involved several public meetings. The first stage involved selection of a consultant to conduct an equity study on the state's public school funding formula. The second stage involved working with the consultant as he performed his study. After the consultant finished his study, the task force heard his report. Based on the report of the consultant and upon the public testimony of both members and observers of the task force, the task force reached several conclusions. A brief summary of the conclusions is outlined below. The implementing legislation is included in the appendix to this report.

Stage I

In the fall of 1995, the task force met a number of times to frame the parameters of a public school funding formula study. During these meetings, the task force developed a work plan, a proposed area of study and a time frame for completion. Subsequently, a request for proposals was issued. Once proposals were received, they were reviewed by both staff and task force members. Interviews were conducted and a consulting contract was awarded to Forbis Jordan and Associates, a Nevada-based educational finance consulting group. A contract was signed with the Jordan group in early 1996.

Stage II

Forbis Jordan and Associates began work on the funding formula study in the spring of 1996. The group performing the study was primarily composed of K. Forbis Jordan, Teresa Jordan, Gerald Kops and Lynn Moak. In addition, a technical advisory panel of public school financing experts was hired by the task force to review and critique the work of Jordan and Associates, offer advice throughout the study and provide an additional level of depth and objectivity to the study. The technical advisory panel's scope of work is included in the appendix to this report. The members of the technical advisory group were John Augenblick, James Hale and Judy McEwen Richardson.

Forbis Jordan and Associates made its first report to the task force in early summer 1996. Throughout the course of the summer, the Jordan group reviewed the results of its funding formula equity analysis; identified areas of perceived unfairness in the formula; proposed the addition of alternative factors in the formula; and reviewed a number of non-formula educational finance issues, particularly in the areas of program and department accountability, capital outlay funding and needs and rewards for schools performing higher than expected.

In October 1996, the Jordan group made its final report to the task force. In the two months following, the task force reviewed its findings and proposals and fine-tuned legislation implementing a number of the Jordan and Associates recommendations.

THE FINDINGS OF THE CONSULTANT

In submitting the final report, the consultant summarized his findings by identifying a series of tasks. These tasks involved reviewing historical documents, conducting a series of

interviews, conducting an analysis of formula and non-formula provisions, conducting a RIM cost study, reviewing and recommending revision of program unit cost indices, assessing fiscal and program accountability procedures and selecting funding alternatives. **In his principal finding, the consultant concluded that: when evaluated on the basis of generally accepted standards of equity, the New Mexico public school funding formula is a highly equitable formula. State law does not permit local school districts to levy additional taxes to supplement formula distributions. As a result, spending disparities are less than in other states and statistically insignificant.** Additionally, the contractor concluded that given the relatively low per-capita income of the state and the relatively high level of state support, New Mexico is a "high-effort, low-ability state" in terms of elementary and secondary education.

While acknowledging the highly equitable nature of New Mexico's per-unit funding, the consultant identified perceived areas of unfairness in the current public school funding formula. Generally, the consultant's findings focused on the validity of various formula indices, the program approval and monitoring process and the overall sufficiency of the funding level. In attempting to respond to these, the contractor proposed a series of alternatives. These alternatives were proposed primarily in the form of funding formula changes. The proposed changes include abolishing the size adjustment factor for large school districts (density), enacting a new formula factor to provide additional program units for students at risk of academic failure; revising formula indices for special education program units; and phasing out over a three-year period the training and experience index waivers granted by the state department of public education. Additionally, the consultant recommended the infusion of an additional $50,000,000 into the

public school funding formula and additional money to "hold harmless" districts adversely impacted by the proposed changes.

A copy of the consultant's findings and conclusions and the technical report of the consultant is attached to the original of this report.

THE RECOMMENDATIONS OF THE TASK FORCE

After receiving the final recommendations of the consultant, the task force conducted extensive public hearings to review the proposed recommendations and to invite public testimony regarding proposed changes to the public school funding formula. After extensive discussion, the task force voted to adopt the majority of the consultant's recommendations. **The task force endorsed the finding of the consultant that the New Mexico public school funding formula, its use of per-unit rather than per-pupil funding, and the resulting distribution of public school funds is highly equitable.**

In an attempt to resolve a major problem relating to size adjustment, the task force recommends the following : 1) the creation of an at-risk factor in the funding formula to provide additional program units to school districts with students at risk of academic failure to replace portions of the current size adjustment factor available only to urban school districts (density); 2) the revision of special education formula indices, the separate funding of special education ancillary services and the counting of special education students in regular membership; and 3) the infusion of $55,000,000 into the public school funding formula to pay for the proposed formula changes and the appropriation of additional money to "hold harmless" districts adversely impacted by the proposed changes. This amount would be in addition to the requisite public

school support appropriations.

The task force did not take action to extend the life of state board of education training and experience waivers acknowledging that, absent legislative action, the waivers would not continue at the end of the current school year.

The task force presents the majority of its proposed changes and additional appropriations in one bill. However, the task force also endorses three additional proposals. These include an amendment to the formula to provide additional program units to local school districts employing national board certified instructional staff; an appropriation to conduct a public school buildings capital outlay assessment and needs inventory on public school buildings around the state and an appropriation to expand an accountability information system at the state department of public education and local school districts.

The recommendations of the task force, in bill draft form, are attached to this report. They will be presented to the first session of the forty-third legislature when it convenes in January 1997.

APPENDIX

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TECHNICAL ADVISORY PANEL SCOPE OF WORK

1. The technical advisory panel will consult with Contractor on a regular basis. The technical advisory panel will be expected to review the Consultant's work internally and provide advice to the Consultant throughout the study.

2. The advisory panel will review, and provide the Consultant with comments on, a draft copy of the Consultant's *Scope of Work* prior to the Consultant's presentation of the Scope of Work to the task force.

3. The advisory panel will review the Consultant's literature review of previous studies of New Mexico's school finance formula to make sure that no major studies have been overlooked.

4. The advisory panel will review the formula equity evaluation criteria for completeness and relevance to New Mexico and the current school finance issues in other states.

5. The advisory panel will review, and provide the Consultant with comments on, drafts of alternative funding scenarios presented by the Consultant, and the advisory panel will review, and provide the Consultant with comments on, drafts of the analysis of the impact of the selected alternative scenarios.

6. The advisory panel will be available to the funding formula task force as necessary and will complete a final report to the task force of the advisory panel activities by November 30, 1996.

HOUSE BILL

43RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1997

INTRODUCED BY

DISCUSSION DRAFT

FOR THE PUBLIC SCHOOL FUNDING FORMULA TASK FORCE

AN ACT

RELATING TO EDUCATION; AMENDING AND ENACTING CERTAIN SECTIONS OF THE PUBLIC SCHOOL FINANCE ACT TO ABOLISH CERTAIN SIZE ADJUSTMENT UNITS, TO PROVIDE FOR AT-RISK STUDENT PROGRAM UNITS, TO REVISE SPECIAL EDUCATION INDICES AND TO ESTABLISH PROGRAM UNITS FOR SPECIAL EDUCATION ANCILLARY SERVICE PROGRAMS; MAKING APPROPRIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 22-8-2 NMSA 1978 (being Laws 1978, Chapter 128, Section 3, as amended) is amended to read:

"22-8-2. DEFINITIONS.--As used in the Public School Finance Act:

A. "ADM" or "MEM" means membership;

B. "membership" means the total enrollment of qualified students on the current roll of a class or school on a

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specified day. The current roll is established by the addition of original entries and reentries minus withdrawals. Withdrawals of students, in addition to students formally withdrawn from the public school, [~~includes~~] include students absent from the public school for as many as ten consecutive school days;

C. "basic program ADM" or "basic program MEM" means the MEM of qualified students but excludes the full-time-equivalent MEM in early childhood education and three- and four-year old students receiving special education services;

D. "cost differential factor" is the numerical expression of the ratio of the cost of a particular segment of the school program to the cost of the basic program in grades four through six;

E. "department" or "division" means the state department of public education;

F. "early childhood education ADM" or "early childhood education MEM" means the full-time-equivalent MEM of students attending approved early childhood education programs;

G. "full-time-equivalent ADM" or "full-time-equivalent MEM" is that membership calculated by applying to the MEM in an approved public school program the ratio of the number of hours per school day devoted to the program to six hours or the number of hours per school week devoted to the program to thirty hours;

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H. "operating budget" means the annual financial plan required to be submitted by a local school board;

I. "program cost" is the product of the total number of program units to which a school district is entitled multiplied by the dollar value per program unit established by the legislature;

J. "program element" is that component of a public school system to which a cost differential factor is applied to determine the number of program units to which a school district is entitled, including but not limited to MEM, full-time-equivalent MEM, teacher, classroom or public school;

K. "program unit" is the product of the program element multiplied by the applicable cost differential factor;

L. "public money" or "public funds" means all money from public or private sources received by a local school board or officer or employee of a local school board for public use;

M. "qualified student" means a public school student who:

(1) has not graduated from high school;

(2) is regularly enrolled in one-half or more of the minimum course requirements approved by the state board for public school students; and

(3) is at least five years of age prior to 12:01 a.m. on September 1 of the school year; or

(4) is at least three years of age at any time

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during the school year and is receiving special education services pursuant to regulation of the state board; or

(5) has not reached his twenty-second birthday on the first day of the school year and is receiving special education services pursuant to regulation of the state board; and

N. "state superintendent" means the superintendent of public instruction or his designee."

Section 2. Section 22-8-18 NMSA 1978 (being Laws 1974, Chapter 8, Section 8, as amended) is amended to read:

"22-8-18. PROGRAM COST CALCULATION--LOCAL SCHOOL BOARD RESPONSIBILITY.--

A. The total program units for the purpose of computing the program cost shall be calculated by multiplying the sum of the program units itemized as Paragraphs (1) through (4) in this subsection by the instruction staff training and experience index and adding the program units itemized as Paragraphs (5) through [~~(7)~~] (8) in this subsection. The itemized program units are as follows:

(1) early childhood education;

(2) basic education;

(3) special education, adjusted by subtracting the units derived from [~~class D special education MEM~~] membership in class D special education programs in private, nonsectarian, nonprofit training centers;

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(4) bilingual multicultural education;

(5) size adjustment;

(6) at-risk student;

[~~(6)~~] (7) enrollment growth or new district adjustment; and

[~~(7)~~] (8) special education units derived from [~~class D special education MEM~~] membership in class D special education programs in private, nonsectarian, nonprofit training centers.

B. The total program cost calculated as prescribed in Subsection A of this section includes the cost of early childhood, special, bilingual multicultural and vocational education and other remedial or enrichment programs. It is the responsibility of the local school board to determine its priorities in terms of the needs of the community served by that board. Funds generated under the Public School Finance Act are discretionary to local school boards, provided that the special program needs as enumerated in this section are met."

Section 3. Section 22-8-19 NMSA 1978 (being Laws 1974, Chapter 8, Section 9, as amended) is amended to read:

"22-8-19. EARLY CHILDHOOD EDUCATION PROGRAM UNITS.--

A. The number of early childhood education program units is determined by multiplying the early childhood education MEM by the cost differential factor 1.44. No early childhood education student shall be counted for more than 0.5 early

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childhood education MEM.

B. For the purpose of calculating early childhood education program units, developmentally disabled three- and four-year-old students shall be counted in early childhood education membership. No developmentally disabled three- and four-year old student shall be counted for more than 0.5 early childhood education MEM."

Section 4. Section 22-8-21 NMSA 1978 (being Laws 1974, Chapter 8, Section 11, as amended by Laws 1992, Chapter 75, Section 1 and also by Laws 1992, Chapter 84, Section 1) is amended to read:

"22-8-21. SPECIAL EDUCATION PROGRAM UNITS.--

A. For the purpose of the Public School Finance Act, special education programs for exceptional children are those approved by the department and classified as follows:

(1) class A programs, in which department certified individuals provide services to children whose individualized education programs require a minimal amount of special education and in which the ratio of students to professionals is regulated by the state board;

(2) class B programs, in which department certified individuals provide services to children whose individualized education programs require a moderate amount of special education and in which the ratio of students to professionals is regulated by the state board;

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(3) class C programs, in which department certified individuals provide services to children whose individualized education programs require an extensive amount of special education and in which the ratio of students to professionals is regulated by the state board;

(4) class D programs, in which department certified individuals provide services to children whose individualized education programs require a maximum amount of special education and in which the ratio of students to professionals is regulated by the state board. Students in class D programs may be enrolled in private, nonsectarian, nonprofit educational training centers in accordance with the provisions of Section 22-13-8 NMSA 1978; and

(5) programs for developmentally disabled three- and four-year-old children meeting standards approved by the state board.

B. All students assigned to the programs for exceptional children classified in Subsection A of this section shall have been so assigned as a result of diagnosis and evaluation performed in accordance with the standards of the department before the students may be counted in the determination of special education program units as provided in Subsection C of this section.

C. The number of special education program units is the sum of the following:

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(1) [~~for class A and class B programs as defined in Subsection A of this section, the product of the number of approved class A and class B programs requested by the local school board and certified by the department multiplied by the cost differential factor 20~~] the MEM in approved class A and B programs as defined in Subsection A of this section multiplied by the cast differential .7;

(2) the [~~special education~~] MEM in approved class C programs as defined in Subsection A of this section multiplied by the cost differential factor [~~1.9~~] 1.0;

(3) the [~~special education~~] MEM in approved class D programs as defined in Subsection A of this section multiplied by the cost differential factor [~~3.5; and~~] 2.0;

(4) the [~~special education~~] MEM for developmentally disabled three- and four-year-old children as defined in [~~Paragraph (5) of~~] Subsection A of this section multiplied by the cost differential factor [~~3.5~~] 2.0; provided that no developmentally disabled three- or four-year-old student shall be counted for additional ancillary service units; and

(5) for related services ancillary to providing special education, the number of full-time equivalent certified or licensed ancillary service and diagnostic service personnel multiplied by the cost differential factor 25.0.

D. For the purpose of calculating membership in class C and class D programs, students shall be counted in

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actual grade placement or according to chronological age if not in actual grade placement."

Section 5. Section 22-8-23 NMSA 1978 (being Laws 1975, Chapter 119, Section 1, as amended) is amended to read:

"22-8-23. SIZE ADJUSTMENT PROGRAM UNITS.--

A. An approved public school with a MEM of less than 400, including early childhood education full-time equivalent MEM but excluding [~~special education class C and class D MEM~~] membership in class C and class D programs and excluding full-time equivalent membership in three- and four-year old developmentally disabled programs, is eligible for additional program units. Separate schools established to provide special programs, including but not limited to vocational and alternative education, shall not be classified as public schools for purposes of generating size adjustment program units. The number of additional program units to which a school district is entitled under this subsection is the sum of elementary-junior high units and senior high units computed in the following manner:

$$\text{Elementary-Junior High Units} = \frac{200 - \text{MEM}}{200} \times 1.0 \times \text{MEM}$$

where MEM is equal to the membership of an approved elementary or junior high school, including early childhood education full-time equivalent membership but excluding special education class C and class D membership;

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$$\text{Senior High Units} = \frac{200 - \text{MEM}}{200} \times 2.0 \times \text{MEM} = \text{Units}$$

or,

$$\text{Senior High Units} = \frac{400 - \text{MEM}}{400} \times 1.6 \times \text{MEM} = \text{Units}$$

whichever calculation for senior high units is higher, where MEM is equal to the membership of an approved senior high school excluding special education class C and class D membership.

B. A school district with total MEM of less than 4,000, including early childhood education full-time equivalent MEM [~~and special education MEM~~], is eligible for additional program units. The number of additional program units to which a district is entitled under this subsection is the number of district units computed in the following manner:

$$\text{District Units} = \frac{4000 - \text{MEM}}{4000} \times 0.15 \times \text{MEM} = \text{Units}$$

where MEM is equal to the total district membership, including early childhood education full-time equivalent membership [~~and special education membership~~].

C. A school district with over 10,000 MEM with a ratio of MEM to senior high schools less than 4,000:1 is eligible for additional program units based on the number of approved regular senior high schools that are not eligible for senior high units under Subsection A of this section.

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The number of additional program units to which an eligible school district is entitled under this subsection is the number of units computed in the following manner:

$$\frac{4000 - \text{MEM}}{\text{Senior High Schools}} \times 0.50 = \text{Units}$$

where MEM is equal to the total district membership, including early childhood education full-time equivalent membership [~~and special education membership~~], and where senior high schools are equal to the number of approved regular senior high schools in the district.

[~~D. A school district with a total MEM of greater than ten thousand but less than fifteen thousand, including early childhood education full-time equivalent MEM and special education MEM, is eligible for additional program units. The number of additional program units to which an eligible district is entitled under this subsection is the number of units computed in the following manner:~~

$$\frac{\text{MEM} - 10{,}000}{10{,}000} \times .15 \times \text{MEM} = \text{Units}$$

~~where MEM is equal to the total district membership, including early childhood education full-time equivalent membership and special education membership.~~

~~E. A school district with a total MEM of greater than fifteen thousand but less than thirty-five thousand, including early childhood education full-time equivalent MEM and special education MEM, is eligible for additional program units. The number of additional program~~

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~~units to which an eligible district is entitled under this subsection is the number of units computed in the following manner:~~

$$\frac{\text{~~MEM - 15,000~~}}{\text{~~15,000~~}} \text{ ~~x .15 x MEM = Units~~}$$

~~where MEM is equal to the total district membership, including early childhood education full-time equivalent membership and special education membership.~~

~~F. A school district with a total MEM of greater than thirty-five thousand, including early childhood education full-time equivalent MEM and special education MEM, is eligible for additional program units. The number of additional program units to which an eligible district is entitled under this subsection is the number of units computed in the following manner:~~

$$\frac{\text{~~MEM - 35,000~~}}{\text{~~35,000~~}} \text{ ~~x .023 x MEM = Units~~}$$

~~where MEM is equal to the total district membership, including early childhood education full-time equivalent membership and special education membership.~~]"

Section 6. A new section of the Public School Finance Act, Section 22-8-23.3 NMSA 1978 is enacted to read:

"22-8-23.3. [NEW MATERIAL] AT-RISK STUDENT PROGRAM UNITS.--

A. A school district that establishes programs and provides services to students at risk of academic failure is eligible for additional program units. The number of additional

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units to which a district is entitled under this section is computed in the following manner:

At-Risk Index x MEM = Units

where MEM is equal to the total district membership, including early childhood education, full-time equivalent membership and special education membership, and where the at-risk index is calculated in the following manner:

Refined At-Risk Cluster x Assigned Value = At-Risk Index.

B. To calculate the refined at-risk cluster, the department shall rank order each school district in the state on the basis of the district's percentage of membership used to determine its Title I allocation, the percentage of membership classified as limited English proficient using criteria established by the federal office of civil rights, the percentage of student mobility and the percentage of dropouts in the school district. Using this data, the department shall initially group districts into nine clusters using a Kohonen mathematical analysis. Each school district shall be assigned a whole number from 1 to 9 reflecting its initial cluster assignment, with higher need districts receiving a higher number and lower need districts receiving a lower number. This number shall be modified on the basis of a school district's relative position in the cluster. That number shall be further refined through the use of a second mathematical calculation, a back propagation. Using a back propagation, the department shall

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refine the cluster assignment and the number assigned to each school district. The number obtained from this calculation is the refined at-risk cluster.

C. To establish the assigned value necessary to calculate the at-risk index, the department shall assign a value to each district based on the district's refined at-risk cluster number. The value assigned shall not be less than .01 or be more than .15. School districts with a lower refined at-risk cluster number shall receive a lower value assignment; school districts with a higher refined at-risk cluster number shall receive a higher value assignment. The value assigned to each district shall be the number used to calculate the at-risk index."

Section 7. Section 22-8-25 NMSA 1978 (being Laws 1981, Chapter 176, Section 5, as amended by Laws 1993, Chapter 226, Section 23 and also by Laws 1993, Chapter 231, Section 14) is amended to read:

"22-8-25. STATE EQUALIZATION GUARANTEE DISTRIBUTION--DEFINITIONS--DETERMINATION OF AMOUNT.--

A. The state equalization guarantee distribution is that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined in this section, is at least equal to the school district's program cost.

B. "Local revenue", as used in this section, means

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ninety-five percent of receipts to the school district derived from that amount produced by a school district property tax applied at the rate of fifty cents ($.50) to each one thousand dollars ($1,000) of net taxable value of property allocated to the school district and to the assessed value of products severed and sold in the school district as determined under the Oil and Gas Ad Valorem Production Tax Act and upon the assessed value of equipment in the school district as determined under the Oil and Gas Production Equipment Ad Valorem Tax Act.

C. "Federal revenue", as used in this section, means ninety-five percent of receipts to the school district, excluding amounts which, if taken into account in the computation of the state equalization guarantee distribution, result, under federal law or regulations, in a reduction in or elimination of federal school funding otherwise receivable by the school district, derived from the following:

(1) the school district's share of forest reserve funds distributed in accordance with Section 22-8-33 NMSA 1978; and

(2) grants from the federal government as assistance to those areas affected by federal activity authorized in accordance with Sections 236 through 240 of Title 20 of the United States Code (commonly known as "PL 874 funds") or an amount equal to the revenue the district was entitled to receive if no application was made for such funds but deducting

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from those grants the additional amounts to which school districts would be entitled because of the provisions of Subparagraph (D) of Paragraph (2) of Subsection (d) of Section 238 of Title 20 of the United States Code.

D. To determine the amount of the state equalization guarantee distribution, the state superintendent shall:

(1) calculate the number of program units to which each school district is entitled using the [~~membership of the fortieth day of the school year, except for school districts with a MEM of 200 or less where the number of program units shall be calculated on the fortieth day membership of either the prior year or the current year, whichever is greater, for all programs except special education, which shall be calculated by using the membership on December 1 of the school year~~] basic program membership of the fortieth day for all programs; provided that special education program units shall be calculated using the membership in special education programs on December 1; or

(2) calculate the number of program units to which a school district operating under an approved year-round school calendar is entitled using the basic program membership on an appropriate date established by the state board; or

(3) calculate the number of program units to which a school district with a basic program MEM of 200 or less is entitled by using the basic program membership on the

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fortieth day of either the prior or the current year, whichever is greater; provided that special education program units shall be calculated using the membership in special education programs on December 1 of either the prior or the current year; and

[~~(3)~~] (4) using the results of the calculations in Paragraph (1), [~~or~~] (2) or (3) of this subsection and the instructional staff training and experience index from the October report of the prior school year, establish a total program cost of the school district;

[~~(4)~~] (5) calculate the local and federal revenues as defined in this section;

[~~(5)~~] (6) deduct the sum of the calculations made in Paragraph [~~(4)~~] (5) of this subsection from the program cost established in Paragraph [~~(3)~~] (4) of this subsection; and

[~~(6)~~] (7) deduct the total amount of guaranteed energy savings contract payments that the state superintendent determines will be made to the school district from the public school energy efficiency fund during the fiscal year for which the state equalization guarantee distribution is being computed.

E. The amount of the state equalization guarantee distribution to which a school district is entitled is the balance remaining after the deductions made in Paragraphs [~~(5) and~~] (6) and (7) of Subsection D of this section.

F. The state equalization guarantee distribution shall be distributed prior to June 30 of each fiscal year. The

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calculation shall be based on the local and federal revenues specified in this section received from June 1 of the previous fiscal year through May 31 of the fiscal year for which the state equalization guarantee distribution is being computed. In the event that a district has received more state equalization guarantee funds than its entitlement, a refund shall be made by the district to the state general fund.

G. Notwithstanding the methods of calculating the state equalization guarantee distribution in this section and Laws 1974, Chapter 8, Section 22, if a school district received funds under Section 2391 of Title 42 U.S.C.A. and if the federal government takes into consideration grants authorized by Sections 236 through 240 of Title 20 of the United States Code and all other revenues available to the school district in determining the level of federal support for the school district for the sixty-fourth and succeeding fiscal years, the state equalization guarantee distribution for school districts receiving funds under this subsection shall be computed as follows:

$$\frac{\text{fiscal year program cost excluding special education for the year for which the state equalization guarantee distribution is being computed}}{\text{prior fiscal year program cost excluding special education}} \times \text{prior fiscal year state equalization guarantee distribution excluding special education}$$

plus special education funding in accordance with Paragraphs (1), [~~or~~] (2) [~~and~~] or (3) and (4) of Subsection D of this

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section and Section 22-8-21 NMSA 1978 plus an amount that would be produced by applying a rate of eight dollars forty-two and one-half cents ($8.425) to each one thousand dollars ($1,000) of net taxable value of property as defined in the Property Tax Code for property taxation purposes in the school district and to each one thousand dollars ($1,000) of the assessed value of products severed and sold in the school district as determined under the Oil and Gas Ad Valorem Production Tax Act and upon the assessed value of equipment in the school district as determined under the Oil and Gas Production Equipment Ad Valorem Tax Act and then reduced by the total amount of guaranteed energy savings contract payments, if any, that the state superintendent determines will be made to the school district from the public school energy efficiency fund during the fiscal year for which the state equalization guarantee distribution is being computed, equals the fiscal year state equalization guarantee distribution for the year for which the state equalization guarantee distribution is being computed.

If at any time grants from the federal government as assistance to those areas affected by federal activity authorized in accordance with Sections 236 through 240 of Title 20 of the United States Code (commonly known as "PL 874 funds") are reduced or are no longer available, the state equalization guarantee distribution shall be computed by the formula contained in this subsection plus an increase by fifty percent

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of the amount the prior year's PL 874 funds exceed PL 874 funds for the year for which the state equalization guarantee distribution is being computed."

Section 8. APPROPRIATION.--Fifty-five million dollars ($55,000,000) is appropriated from the general fund to the state equalization guarantee distribution for expenditure in fiscal year 1998 for the purpose of funding additional program units authorized by law. Any unexpended or unencumbered balance remaining at the end of fiscal year 1998 shall revert to the general fund.

Section 9. APPROPRIATION.--Two million four hundred thousand dollars ($2,400,000) is appropriated from the general fund to the state department of public education for expenditure in fiscal year 1998 for the purpose of making additional distributions to those school districts receiving a reduced state equalization guarantee distribution as a result of the enactment of amendments to the Public School Finance Act by the first session of the forty-third legislature. Any unexpended or unencumbered balance remaining at the end of fiscal year 1998 shall revert to the general fund.

Section 10. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 1997.

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HOUSE BILL

43RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1997

INTRODUCED BY

FOR THE PUBLIC SCHOOL FUNDING FROMULA TASK FORCE

AN ACT

MAKING AN APPROPRIATION TO PROVIDE FOR A STUDY PERTAINING TO THE CAPITAL OUTLAY NEEDS OF NEW MEXICO'S PUBLIC SCHOOLS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. APPROPRIATION.--Five hundred thousand dollars ($500,000) is appropriated from the general fund to the state department of public education for expenditure in fiscal year 1998 for the purpose of enabling the public school capital outlay council to contract for a comprehensive review and assessment of public school buildings statewide and to prepare a comprehensive capital outlay needs assessment for public school buildings statewide. Any unexpended or unencumbered balance remaining at the end of fiscal year 1998 shall revert to the general fund.

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HOUSE BILL

43RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1997

INTRODUCED BY

FOR THE PUBLIC SCHOOL FUNDING FORMULA TASK FORCE

AN ACT

RELATING TO EDUCATION; AMENDING AND ENACTING CERTAIN SECTIONS OF THE PUBLIC SCHOOL FINANCE ACT TO AUTHORIZE ADDITIONAL PROGRAM UNITS FOR SCHOOL DISTRICTS EMPLOYING CERTAIN NATIONAL BOARD CERTIFIED INSTRUCTIONAL STAFF.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 22-8-18 NMSA 1978 (being Laws 1974, Chapter 8, Section 8, as amended) is amended to read:

"22-8-18. PROGRAM COST CALCULATION--LOCAL SCHOOL BOARD RESPONSIBILITY.--

A. The total program units for the purpose of computing the program cost shall be calculated by multiplying the sum of the program units itemized as Paragraphs (1) through (4) in this subsection by the instruction staff training and experience index and adding the program units itemized as

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Paragraphs (5) through [~~(7)~~] (8) in this subsection. The itemized program units are as follows:

(1) early childhood education;

(2) basic education;

(3) special education, adjusted by subtracting the units derived from class D special education MEM in private, nonsectarian, nonprofit training centers;

(4) bilingual multicultural education;

(5) size adjustment;

(6) national board certified teacher program units;

[(6)] (7) enrollment growth or new district adjustment; and

[~~(7)~~] (8) special education units derived from class D special education MEM in private, nonsectarian, nonprofit training centers.

B. The total program cost calculated as prescribed in Subsection A of this section includes the cost of early childhood, special, bilingual multicultural and vocational education and other remedial or enrichment programs. It is the responsibility of the local school board to determine its priorities in terms of the needs of the community served by that board. Funds generated under the Public School Finance Act are discretionary to local school boards, provided that the special program needs as enumerated in this section are met."

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Section 2. A new section of the Public School Finance Act, Section 22-8-23.3 NMSA 1978, is enacted to read:

"22-8-23.3. [NEW MATERIAL] NATIONAL BOARD CERTIFIED INSTRUCTIONAL STAFF--PROGRAM UNITS.--A school district employing instructional staff who are certified by the national board for professional teaching standards is eligible for additional program units. The number of additional program units to which an eligible district is entitled under this section is as follows:

(Number of Full-Time-Equivalent National Board Certified Instructional Staff x 4) = Units

where "instructional staff" means the personnel assigned to the instructional program of the school district, excluding principals, substitute teachers, instructional aides, secretaries and clerks."

Section 3. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 1997.

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HOUSE BILL

43RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1997

INTRODUCED BY

FOR THE PUBLIC SCHOOL FUNDING FORMULA TASK FORCE

AN ACT

MAKING AN APPROPRIATION TO EXPAND AN ACCOUNTABILITY INFORMATION SYSTEM PILOT PROJECT TO AN INCREASED NUMBER OF LOCAL SCHOOL DISTRICTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. APPROPRIATION.--Seven hundred thousand dollars ($700,000) is appropriated from the general fund to the state department of public education for expenditure in fiscal year 1998 for the purpose of purchasing computer hardware and software and paying training costs associated with the expansion of an accountability information system pilot project currently being conducted in local school districts around the state. Any unexpended or unencumbered balance remaining at the end of fiscal year 1998 shall revert to the general fund.

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